

**GAS UTILITY DISTRICT #2**  
**OF EAST FELICIANA PARISH**  
**CLINTON, LOUISIANA**  
**COMPONENT UNIT FINANCIAL STATEMENT**  
**AUGUST 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3-14-07

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OF EAST FELICIANA PARISH  
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October 31, 2006

## INDEPENDENT AUDITOR'S REPORT

Gas Utility District #2  
East Feliciana Parish  
Clinton, Louisiana

I have audited the accompanying basic financial statements of the business-type activities and each major fund of the

### GAS UTILITY DISTRICT #2 EAST FELICIANA PARISH

a component of East Feliciana Parish Police Jury as of and for the year ended August 31, 2006, which comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Gas Utility District #2's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gas Utility District #2 of East Feliciana Parish as of August 31, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 7, 2006, on my consideration of Gas Utility District #2 of East Feliciana Parish's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations,

Gas Utility District #2  
East Feliciana Parish  
Independent Auditors Report  
Page 2

contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Gas Utility District #2 of East Feliciana Parish has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

***Phil T. Graham CPA***

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
STATEMENT OF NET ASSETS  
AUGUST 31, 2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 185,165
Investments in certificates of deposit	130,400
Accounts receivable (net of allowance for uncollectible of \$7,000)	22,606
Unbilled gas sales	9,649
Prepaid insurance	21,813
Inventory	<u>8,797</u>
<u>Total Current Assets</u>	<u>378,430</u>

RESTRICTED ASSETS

Cash and cash equivalents:	
Customer deposits	37,054
Highway 63 sinking fund	12,067
1988 Gas utility revenue bond reserve fund	17,397
1988 Gas depreciation and contingency fund	19,326
Investments in certificates of deposit:	
Customer deposits	<u>29,021</u>
<u>Total Restricted Assets</u>	<u>114,865</u>

UTILITY PLANT AND EQUIPMENT

Plant and equipment	1,323,818
Less: accumulated depreciation	<u>(978,114)</u>
	345,704
Land	<u>31,000</u>
<u>Net Utility Plant and Equipment</u>	<u>376,704</u>

OTHER ASSETS

Deposits	<u>15</u>
<u>Total Assets</u>	<u>\$ 870,014</u>

## LIABILITIES AND NET ASSETS

### CURRENT LIABILITIES

Accounts payable	\$ 17,313
Payroll withholdings	3,273
Sales tax	102
Accrued salaries	5,235
Customer meter deposits	<u>66,075</u>
<u>Total Current Liabilities</u>	<u>91,998</u>

### CURRENT LIABILITIES (payable from restricted assets)

Bonds payable - FHA	11,940
Accrued interest payable	<u>1,960</u>
<u>Total Current Liabilities (Payable From Restricted Assets)</u>	<u>13,900</u>

### LONG-TERM DEBT

Long-term debt	<u>72,652</u>
<u>Total Liabilities</u>	<u>178,550</u>

### NET ASSETS

Investment in capital assets net of related debt	292,113
Restricted for bond and interest retirement	12,067
Restricted for depreciation and contingency	36,723
Unrestricted	<u>350,561</u>
<u>Total Net Assets</u>	<u>691,464</u>

<u>Total Liabilities and Net Assets</u>	<u>\$ 870,014</u>
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The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2006

OPERATING REVENUES

Gas sales	\$ 776,491
Service charges	4,785
Penalties	<u>8,934</u>
<u>Total Operating Revenues</u>	<u>790,210</u>

COST OF REVENUES

Gas purchases	<u>506,540</u>
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<u>GROSS PROFIT</u>	<u>283,670</u>
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OPERATING EXPENSES

Billing expense	5,117
Board of Director fees	8,100
Customer interest	517
Depreciation	28,067
Insurance	57,362
Legal and professional fees	5,535
Miscellaneous	273
Office supplies and maintenance	4,764
Other taxes	1,875
Payroll taxes	8,984
Repairs and maintenance	34,302
Retirement Plan	4,341
Salaries	113,159
Telephone	5,268
Travel	150
Uniforms	4,379
Utilities	2,886
Vehicles	<u>15,078</u>
<u>Total Operating Expenses</u>	<u>300,157</u>

<u>INCOME (LOSS) FROM OPERATIONS</u>	<u>(16,487)</u>
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NONOPERATING REVENUES (EXPENSES)

Interest income	13,204
Miscellaneous	310
Interest expense	(5,221)
Bad debts	<u>(2,500)</u>
<u>Total Non-Operating Revenues (Expenses)</u>	<u>5,793</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PERCENT OF TOTAL OPERATING REVENUES  
FOR THE YEAR ENDED AUGUST 31, 2006

(Concluded)

<u>CHANGE IN NET ASSETS</u>	(10,694)
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>702,158</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 691,464</u>

The accompanying notes are an integral part of these financial statements.



GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 791,576
Cash received interest and other	13,514
Cash payments to employees	(113,980)
Cash payments for goods and services	(667,509)
Cash payments for interest	<u>(5,485)</u>

<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>18,116</u>
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CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Customer deposits (net)	<u>915</u>
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<u>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</u>	<u>915</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on revenue bonds	<u>(10,802)</u>
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<u>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	<u>(10,802)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Maturities of certificates of deposit with maturities in excess of 90 days	212,709
Purchases of certificates of deposit with maturities in excess of 90 days	<u>(159,421)</u>

<u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>	<u>53,288</u>
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<u>NET INCREASE (DECREASE) IN CASH</u>	61,517
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<u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u>	<u>209,492</u>
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<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u>271,009</u>
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Cash and Cash Equivalents:

Unrestricted	\$ 185,165
Restricted	<u>85,844</u>
	<u>\$ 271,009</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY (USED FOR) OPERATING ACTIVITIES

Net income (loss)	\$ (10,694)
Noncash items included in net income	
Depreciation	28,067

(Continued)

The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2006

(Concluded)

Provision for uncollectible accounts	2,500
Net (increase) decrease in:	
Accounts receivable	1,366
Inventory	(3,247)
Other assets	733
Net increase (decrease) in:	
Payables and accrued liabilities	<u>(609)</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>18,116</u>

The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2006

**INTRODUCTION**

The Gas Utility District #2 of East Feliciana Parish, was created in 1970 by the East Feliciana Parish Police Jury. The District operates under a president-board form of government whose appointments are made by the East Feliciana Parish Police Jury.

**NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The accounting and reporting practices of Gas Utility District #2 of East Feliciana Parish, the District, conform to generally accepted accounting principles as applicable to governmental units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:517, to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units* published by the American Institute of Certified Public Accountants. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 in accounting and reporting for its proprietary fund operations unless those pronouncements conflict with or contradict GASB pronouncements.

**B. Reporting entity**

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the reporting entity, for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes: (1) appointing a voting majority of an organization's governing body, and the ability of the police jury to impose its will on that organization, and/or the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the police jury; (2) organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury; and (3) organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the East Feliciana Parish Police Jury appoints the governing board and because the scope of public service, the District is deemed to be a component unit of the East Feliciana Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statement present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2006

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting

The accounts of the District are organized on the basis of a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise fund, as reported in the accompanying financial statements, has been reported on the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for natural gas sales and related fees and charges that are necessary to provide natural gas to its customers. Operating expenses for enterprise funds include the cost of natural gas sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Accounts receivable - Customers

Receivables consist of customer's utility service receivables. The District has a policy of recognizing uncollectible amounts of gas billings at the time the information becomes available, indicating the bill is uncollectible. At the time an account is disconnected for nonpayment the District continues to send bills to the customer as long as there is a valid address. At the end of the year the allowance for uncollectible accounts receivable is adjusted to reflect an estimated amount of the final accounts that the District expects to write off. Receivables over 30 days old for active accounts were \$3,130. Receivables over 30 days old for inactive and final accounts were \$7,610 for the year ended August 31, 2006. The allowance for bad debt

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2006

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

was \$7,000 as of August 31, 2006. Inactive accounts are accounts disconnected for nonpayment and for accounts which are only active during the winter months. Once all avenues of collection are exhausted, accounts are approved by the board to be written off. At that time, the receivable balance and the allowance for uncollectible accounts are reduced.

The District's billing cycle may extend into the subsequent year. An estimate for unbilled gas is calculated at year end based on the gas billed in the subsequent period and the number of days of gas use in the current year divided by the total number of days in the billing period. This estimated amount for unbilled gas is reported as a separate receivable on the Statement of Net Assets.

F. Concentration of Credit Risk

The District's revenues are generated in East Feliciana Parish, Louisiana from natural gas sales. The District does not require collateral from its customers to secure trade accounts receivable, however, customer' deposits will be applied to unpaid accounts receivable balances.

G. Taxes

The Gas Utility District is exempt from paying federal and state income tax. All, state and federal payroll taxes are paid current.

H. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash on hand and all restricted and unrestricted cash in banks which have a maturity of three months or less when purchased, are considered to be cash equivalents.

I. Investments

Investment at August 31, 2006 are comprised of certificates of deposit with maturities more than 90 days and are stated at cost which approximates market value.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2006

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Inventory

Inventory is determined using the average cost valuation method and is valued at lower of cost or market. Gas in the District's lines is expensed when it is purchased. Physical inventory is conducted once a year. Inventory consists of various supplies used for maintaining the system.

L. Plant and equipment

Plant and equipment are stated at cost and do not purport to represent replacement or realizable values. The cost of depreciable property, plant and equipment is charged to earnings over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expenses as incurred; expenditures for renewals and betterments are generally capitalized. When properties are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in revenue. Depreciation of all depreciable property, plant and equipment amounted to \$28,067 for August 31, 2006 and is computed using the straight-line method over the following lives:

<u>ASSET</u>	<u>ESTIMATED USEFUL LIVES</u>	<u>AUGUST 31, 2006</u>	
		<u>COST</u>	<u>NET</u>
Gas System	5-40 years	\$1,075,460	\$ 235,303
Furniture & equipment	3-8 years	44,571	9,451
Vehicles	3-5 years	89,533	12,999
Building & improvements	10-40 years	115,466	87,951
Land		31,000	31,000
Total		<u>\$1,356,030</u>	<u>\$ 376,704</u>

M. Restricted Assets

Certain proceeds of the District are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable bond covenants. Under the terms of the bond indenture, all of the income earned by the District from operations of the gas system, must be deposited in the operating account. This account will be used for the payment of all reasonable and necessary expenses of operating and maintaining the system. By the 20<sup>th</sup> of the month, a sum equal to one-twelfth (1/12) of the next maturing revenue bond and interest installment must be transferred from the operating account into the 1988 Gas Utility Revenue Bond and Interest Sinking Fund.

Other transfers are also required to be made by the 20<sup>th</sup> of each month by the terms of the bond indenture. The 1988 Gas Utility Revenue Bond Reserve Account requires a sum equal to five percent (5%) of the amount to be paid into the Bond and Interest Sinking Fund to be deposited by the 20<sup>th</sup> of each month. There is also a required deposit of \$76.00 into the 1988 Gas Depreciation and Contingency Account by the 20<sup>th</sup> of each month. Proceeds from refundable

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2006

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

customer deposits are also restricted for repayment of meter deposits. The District was in compliance with all significant limitations and restrictions in the bond indenture at August 31, 2006.

N. Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use.

NOTE #2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Under state law, Gas Utility District # 2 of East Feliciana Parish may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in United States bonds, treasury notes or certificates, and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. These are classified as investments if their original maturity exceeds 90 days

At August 31, 2006, the District carrying balances in unrestricted cash, cash equivalents, and investments in certificates of deposit (book balances) of \$429,412.

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance should equal the amount on deposit with the fiscal agent. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation insurance. The market value of pledged securities at year end was \$76,141 (FHLMC Pool) and \$11,976 (FNMA Pool), and \$202,314 (Municipal bond).

These securities are held in the name of the pledging agent bank in a holding or custodial bank that is mutually acceptable to both parties (GASB Category 3). Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

Bank account balances at August 31, 2006 are as follows:

Bank balances	\$ 429,412
Federal deposit insurance	<u>215,006</u>

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2006

NOTE #2: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Balance uninsured	<u>\$ 214,406</u>
Bank balance which is collateralized with securities held by the pledging financial institution's agent in the Gas District's name	<u>\$ 290,431</u>
Uninsured, uncollateralized bank balance	<u>\$ 0</u>
The following are carrying bank balances in all accounts.	
Unrestricted cash and cash equivalents consist of the following:	
Checking, interest bearing	\$ 49,943
Checking, non-interest bearing	15,006
Certificates of deposit maturing in 90 days or less	119,063
Certificates of deposit maturing in more than 90 days	<u>130,400</u>
	<u>314,412</u>
Restricted cash and cash equivalents consist of the following:	
Checking, interest bearing meter account	37,189
Highway 63 sinking fund, savings	12,067
1988 Gas utility revenue bond reserve fund, savings	17,397
1988 Gas depreciation & contingency fund, savings	19,326
Certificates of deposit, meter account maturing in more than 90 days	<u>29,021</u>
	<u>115,000</u>
Total	<u>\$ 429,412</u>

NOTE #3: PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended August 31, 2006, was as follows:

	<u>8/31/05</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>8/31/06</u>
Land	\$ 31,000			\$ 31,000
Capital assets being depreciated:				
Gas system	1,075,460			1,075,460
Equipment	44,571		(1,212)	43,359
Building	115,466			115,466
Vehicles	<u>89,533</u>			<u>89,533</u>
Total assets being depreciated:	1,325,030		0	1,323,818
Less accumulated depreciation	<u>951,259</u>	<u>28,067</u>	<u>(1,212)</u>	<u>978,114</u>
Total assets being depreciated net of depreciation:	<u>373,771</u>	<u>(28,067)</u>		<u>345,704</u>
Total capital assets (net)	<u>\$ 404,771</u>	<u>\$ (28,067)</u>	<u>\$</u>	<u>\$ 376,704</u>



GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2006

**NOTE #4: LONG-TERM DEBT**

The summary of changes in long-term debt is as follows:

Bond payable 8/31/05	\$ 95,394
Less principal payments	<u>(10,802)</u>
Bond payable 8/31/06	<u>\$ 84,592</u>

As of August 31, 2006, Long-term Debt - Other consists of the following:

U. S. Department of Agriculture -Farmer's Home Administration	
\$16,804.00 due annually including interest at 5.75%	\$ 84,592
Less amounts due within one year	<u>(11,940)</u>
Long term liability	<u>\$ 72,652</u>

Following are maturities of bonds payable-FHA for each of the next five years:

<u>YEAR</u> <u>ENDED</u>	<u>PRINCIPAL</u> <u>MATURITY</u>	<u>INTEREST</u> <u>MATURITY</u>	<u>TOTAL</u> <u>DEBT SERVICE</u>
2007	11,940	4,864	16,804
2008	12,627	4,177	16,804
2009	13,353	3,451	16,804
2010	14,120	2,684	16,804
2011	14,932	1,872	16,804
Beyond 5 years	<u>17,620</u>	<u>1,118</u>	<u>18,738</u>
	<u>\$ 84,592</u>	<u>\$ 18,166</u>	<u>\$102,758</u>

**NOTE #5: PENSION PLAN**

The District established a deferred compensation plan created in accordance with the Internal Revenue Code Section 457(b) for employees who meet the eligibility requirements set forth in the plan. Employer contributions are determined as a percent of compensation paid each year to eligible participants. The employer contributions for 2006 were \$4,341. The plan is administered by independent plan administrators through administrative service agreements. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred amount for each participant.

**NOTE #6: VACATION AND SICK LEAVE**

The Gas District employees are paid for vacation time used. They may carry up to one week over to the next year. Employees may accrue unlimited sick leave. Unused sick leave is not paid upon

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2006

NOTE #6: VACATION AND SICK LEAVE (CONTINUED)

retirement or termination. Accrued vacation in the amount of \$5,235 has been reflected as part of accrued salaries in current liabilities.

NOTE #7: LITIGATION AND CLAIMS

At August 31, 2006, the District was not involved in any lawsuits. The District is also not aware of any unasserted claims.

NOTE #8: RISK MANAGEMENT

The District purchases commercial insurance to deal with potential liabilities. The district maintains insurance policies to cover risks related to workers compensation, general liability, public officials errors and omissions, commercial property damage and automobile coverage.

NOTE #9: COMMITMENTS AND CONTINGENCY

Gas Utility District #2 of East Feliciana Parish is a member of the Louisiana Municipal Gas Authority (the Authority). As a member of the Authority, the System agrees to purchase all of its natural gas for resale to its customers through the Authority's gas distribution system. The Authority prepares an annual budget that contains an estimate of all of the Authority's operation, maintenance and general expenses relating to the operation and conduct of the business of the Authority during the year. The total amount set forth in the Annual Authority Budget is paid monthly by each member of the Authority based on a percentage of each member's cost of gas. This contract is for a ten year period, ending July 31, 2016, but it can be terminated by either party by giving written notice to the other party at least six months prior to termination.

NOTE #10: COMPENSATION PAID TO BOARD MEMBERS

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings during the current year are as follows:

<u>Board Member</u>	<u>Meetings Attended</u>	<u>Amount Paid</u>	<u>Term Expires</u>
Minnie Douglas	24	\$1,800	January, 2010
Eileen Siebert	23	1,725	January, 2009
Frank Milligan	22	1,650	January, 2007
John Strain	20	1,500	January, 2011
DeGloria Armstead	19	<u>1,425</u>	January, 2008
		<u>\$8,100</u>	

# PHIL T. GRAHAM

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October 31, 2006

## INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Gas Utility District #2  
East Feliciana Parish  
Clinton, LA 70722

My report on my audit of the basic financial statements of

### GAS UTILITY DISTRICT #2 EAST FELICIANA PARISH

for the year ended August 31, 2006, appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited," on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Phil T. Graham CPA*

SUPPLEMENTARY INFORMATION

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
STATISTICAL DATA  
FOR THE YEAR ENDED AUGUST 31, 2006

<u>MONTH</u>	<u>NUMBER OF CUSTOMERS</u>	<u>GAS SALES CUBIC FEET OF GAS (MCF)</u>
September	954	3,005.2
October	957	1,847.0
November	963	3,105.2
December	975	7,935.9
January	976	6,228.7
February	974	6,089.9
March	973	3,904.8
April	967	3,356.1
May	966	1,698.9
June	953	1,747.9
July	951	1,596.4
August	<u>955</u>	<u>1,712.2</u>
Average number of customers	<u>963</u>	
Total cubic feet of gas		<u>42,228.2</u>

See Auditor's report on supplementary information.

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
SCHEDULE OF BOARD MEMBER INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2006  
(Unaudited)

DeGloria Armstead  
6269 Kinnon Lane  
Ethel, LA 70730  
(225) 683-5718

Minnie K. Douglas  
2496 Highway 63  
Clinton, LA 70722  
(225) 683-5707

Frank Milligan  
4117 Highway 955 East  
Ethel, LA 70730  
Telephone unlisted

Eileen Siebert  
9478 Highway 955 East  
Ethel, LA 70730  
(225) 683-8335

John Strain  
9193 Highway 957  
Ethel, LA 70730  
(225) 683-5236

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
SCHEDULE OF INSURANCE IN FORCE  
AUGUST 31, 2006  
(Unaudited)

<u>POLICY NUMBER</u>	<u>EXPIRES</u>	<u>COMPANY</u>
CAP001373400	06-23-07	Trinity Universal Insurance Company of Kansas
606DIM37389	07-30-07	Arch Insurance Company
17212-A	04-15-07	LA Worker's Compensation Corp.
WS18201858	03-22-06	Western Surety Company
EPP000021001092	06-10-07	Fairmont Specialty Group
493-95-296	09-23-05	National Union Fire Insurance Company of Pittsburgh, PA

See Auditor's report on Supplementary Information.

<u>COVERAGE</u>	<u>AMOUNT</u>
Commercial Property Limit of Insurance	\$152,000
Deductible	1,000
Coinsurance	80%
Personal Property	\$20,000
Contractor's equipment	\$18,600
Deductible each loss	500
Workman's compensation	Statutory
Fidelity Bond - President	\$100,000
Fidelity Bond - Secretary	\$100,000
Fidelity Bond - Commissioners (each)	\$20,000
Fidelity Bond - Secretary/Bookkeeper	\$10,000
Fidelity Bond - System Operator	\$10,000
Commercial General Liability and Vehicles	
General aggregate limit	\$1,000,000
Products aggregate limit	\$1,000,000
Each occurrence limit	\$1,000,000
Personal & advertising injury limit	\$1,000,000
Medical expense limit, any one person	\$5,000
Public Officials and Employees Liability Insurance	
General aggregate limit	\$1,000,000
Each wrongful act	\$1,000,000
Deductible each wrongful act	\$10,000

See Auditor's report on Supplementary Information.



GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
COMPARATIVE DATA  
AUGUST 31, 2006  
(Unaudited)

SUMMARY STATEMENT OF REVENUES

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating Revenues	\$ 792,208	\$ 595,817	\$ 613,918	\$ 579,765
Cost of Revenues	<u>506,540</u>	<u>349,153</u>	<u>336,990</u>	<u>304,679</u>
Gross Profit	<u>285,668</u>	<u>246,664</u>	<u>276,928</u>	<u>275,086</u>
Operating Expenses	275,337	266,675	253,554	243,830
Depreciation	<u>28,067</u>	<u>29,358</u>	<u>29,669</u>	<u>27,460</u>
Operating Income (Loss)	<u>(17,736)</u>	<u>(49,369)</u>	<u>(6,295)</u>	<u>3,796</u>
Nonoperating Revenues	13,514	10,857	9,206	9,206
Nonoperating Expenses	<u>(7,721)</u>	<u>(10,865)</u>	<u>(7,490)</u>	<u>(7,490)</u>
NET INCOME (LOSS)	<u>(11,943)</u>	<u>(49,377)</u>	<u>5,512</u>	<u>5,512</u>

OTHER DATA

Property, plant and Equipment	<u>1,356,030</u>	<u>1,356,030</u>	<u>1,350,310</u>	<u>1,345,040</u>
Net Working Capital	<u>285,183</u>	<u>283,315</u>	<u>325,971</u>	<u>400,844</u>
Total Assets	<u>868,765</u>	<u>891,204</u>	<u>944,791</u>	<u>959,783</u>
Bonds and Other Long-Term Liabilities	<u>84,592</u>	<u>95,394</u>	<u>106,097</u>	<u>116,218</u>
Total Equity	<u>690,215</u>	<u>702,158</u>	<u>751,535</u>	<u>756,935</u>
Average Number of Customers	963	964	964	958
Total Cubic Feet of Gas (MCF)	42,228.2	43,671.0	49,380	51,281
Number of customers:				
Residential	916	907	919	912
Commercial	41	41	42	40
3/4" Meters	5	5	4	4

See Auditor's report on Supplementary Information.

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
GAS LOSS SCHEDULE  
AUGUST 31, 2006  
(Unaudited)

<u>MONTH</u>	<u>PRICE PER MCF</u>	<u>GAS PURCH. MCF</u>	<u>GAS SOLD MCF</u>	<u>GAS (GAIN) LOSS MCF</u>	<u>% (GAIN) LOSS MCF</u>	<u>DOLLAR (GAIN) LOSS</u>	<u>LOSS ACCOUNTED FOR MCF</u>	<u>DOLLAR LOSS ACCOUNTED FOR</u>
SEPT	11.5442	1,731	3,005	(1,274)	(73.61)	(14,707.31)		
OCT	14.4770	3,180	1,847	1,333	41.92	19,297.84	900	13,029.30
NOV	15.3048	4,570	3,105	1,465	32.05	22,421.53	300	4,591.44
DEC	12.6210	9,403	7,936	1,467	15.60	18,515.01		
JAN	13.6697	5,929	6,229	(300)	(5.05)	(4,100.91)		
FEB	11.1770	6,580	6,090	490	7.45	5,576.73		
MAR	7.7689	3,775	3,905	(130)	(3.44)	(1,009.96)		
APR	5.2569	3,122	3,356	(234)	(7.50)	(1,230.12)		
MAY	7.7682	1,906	1,699	207	10.87	1,608.02	360	2,796.55
JUNE	6.5966	1,625	1,748	(123)	(7.56)	(811.38)		
JULY	6.3752	1,618	1,596	22	1.33	140.25		
AUG	7.8533	<u>1,544</u>	<u>1,712</u>	<u>(168)</u>	<u>(10.89)</u>	<u>(1,319.35)</u>	<u>      </u>	<u>      </u>
TOTAL		<u>44,983</u>	<u>42,228</u>	<u>2,755</u>	<u>6.12</u>	<u>\$44,280.35</u>	<u>1,560</u>	<u>\$20,417.29</u>

See Auditor's report on Supplementary Information.

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
GAS LOSS SCHEDULE - LOSS BY YEARS  
AUGUST 31, 2006  
(Unaudited)

<u>YEAR</u>	<u>GAS PURCH. MCF</u>	<u>GAS SOLD MCF</u>	<u>GAS LOSS MCF</u>	<u>PERCENT LOSS MCF</u>	<u>DOLLAR LOSS</u>	<u>UNACCOUNTED LOSS MCF</u>	<u>ACCOUNTED LOSS MCF</u>
8/99	45,316	42,530	2,786	6.15	7,823	1,640	1,146
8/00	48,966	45,476	3,490	7.13	11,650	755	2,735
8/01	60,445	56,570	3,875	6.41	28,917	1,049	2,826
8/02	51,626	47,328	4,298	8.33	22,855	1,873	2,425
8/03	55,770	51,282	4,488	8.05	27,143	1,058	3,430
8/04	51,519	49,380	2,139	4.33	11,228	749	1,390
8/05	45,023	43,671	1,352	3.00	14,824	750	602
8/06	44,983	42,228	2,755	6.12	44,280	1,195	1,560

See Auditor's report on Supplementary Information.

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October 31, 2006

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL**  
**OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS**  
**PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Gas Utility District #2  
East Feliciana Parish  
Clinton, Louisiana 70722

I have audited the financial statements of the business-type activities and each major fund of

**GAS UTILITY DISTRICT #2**  
**EAST FELICIANA PARISH**

a component unit of the East Feliciana Parish Police Jury, for the year ended August 31, 2006 which comprise Gas Utility District #2 of East Feliciana Parish's basic financial statements and have issued my report thereon dated October 31, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Gas Utility District #2 of East Feliciana Parish's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Gas Utility District #2 of East Feliciana Parish's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in my judgement, could adversely affect Gas Utility District #2 of East Feliciana Parish's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 1997-1.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONCLUDED)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weaknesses.

This report is intended solely for the information and use of Gas Utility District #2 of East Feliciana Parish's management, others within the organization, the East Feliciana Parish Police Jury, federal awarding agencies, and the Louisiana Legislative Auditor's office and is not intended to be and should not be used by anyone other than these specified parties. However, under La. Revised Statute 24:513, the Legislative Auditor distributes this report as a public document

*Phil T. Graham.*

GAS UTILITY DISTRICT #2  
OF EAST FELICIANA PARISH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2006

I have audited the financial statements of Gas Utility District #2 of East Feliciana Parish as of and for the year ended August 31, 2006, and have issued my report thereon dated October 31, 2006. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of August 31, 2006 resulted in an unqualified opinion.

SECTION I: SUMMARY OF AUDIT REPORTS

a. Report on Internal Control and Compliance Material to the Financial Statements

1. There were no material weaknesses reported.
2. Reportable conditions are described in section IV.
3. No instances of noncompliance material to the financial statements of Gas Utility District #2 of East Feliciana Parish were disclosed during the audit.

b. FEDERAL AWARDS

None in current year

SECTION II: FINANCIAL STATEMENT FINDINGS

None

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

N/A

SECTION IV: INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

A. REPORTABLE CONDITION 1997-1, SEGREGATION OF DUTIES

Due to the small number of employees, some of the functions within the accounting system do not have adequate segregation of duties. This was also a finding in the prior years audit.

RECOMMENDATION:

Based on the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

RESPONSE:

No response is considered necessary.

SECTION V: MANAGEMENT LETTER

None

PRIOR YEAR FINDINGS

1997-1 Segregation of duties, same as above.